

**REPORT OF THE AUDIT OF THE
BULLITT COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2005**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Kenneth Rigdon, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

The enclosed report prepared by Berger & Company, CPA, PSC, Certified Public Accountant, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullitt County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements.

We engaged Berger & Company, CPA, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Berger & Company, CPA, PSC evaluated the Bullitt County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BULLITT COUNTY FISCAL COURT

June 30, 2005

Berger & Company, CPA, PSC has completed the audit of the Bullitt County Fiscal Court for fiscal year ended June 30, 2005.

We have issued unqualified opinions based on our audit on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Bullitt County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$9,130,891 as of June 30, 2005. The fiscal court had unrestricted net assets of \$4,898,963 in its governmental activities as of June 30, 2005. In its business-type activities, total net cash and cash equivalents were \$11,552 with total net assets of \$11,552. The fiscal court had total debt principal as of June 30, 2005 of \$24,434,624 with \$827,651 due within the next year.

Deposits:

The fiscal court's deposits were not insured and collateralized by bank securities or bonds.

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To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Kenneth Rigdon, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bullitt County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Bullitt County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Bullitt County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bullitt County, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.


The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Kenneth Rigdon, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bullitt County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2006 on our consideration of Bullitt County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Berger & Company CPA PSC". The signature is written in a cursive, flowing style.

Berger & Company, CPA, PSC

Audit fieldwork completed -
January 12, 2006

BULLITT COUNTY OFFICIALS

For The Year Ended June 30, 2005

Fiscal Court Members:

Kenneth Rigdon	County Judge/Executive
David Walker	Magistrate
Clifford "Buddy" Shepherd	Magistrate
Ed Bleemel	Magistrate
Dewey McClearn	Magistrate

Other Elected Officials:

Walt Sholar	County Attorney
Dannny Fackler	Jailer
Nora McCawley	County Clerk
Doris Cornell	Circuit Court Clerk
Paul Parsley	Sheriff
Bruce Johnson	Property Valuation Administrator
Tommy Kappel	Coroner

Appointed Personnel:

Stephanie Bradley	County Treasurer
Larry Stewart	911 Administrator
Raymond Streble	Road Supervisor

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KENNETH J. RIGDON
BULLITT COUNTY JUDGE / EXECUTIVE
P.O. Box 768
Shepherdsville, Ky 40165

Management's Discussion and Analysis

June 30, 2005

The financial management of Bullitt County, Kentucky offers readers of Bullitt County's financial statements this narrative overview and analysis of the financial activities of Bullitt County for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented in conjunction with other information that we have furnished in our letter of transmittal and the notes to the financial statements.

Financial Highlights:

Bullitt County had net assets of \$9,130,891 as of June 30, 2005. The fiscal court had unrestricted net assets of \$4,059,760 in the governmental activities as of June 30, 2005. In the business-type activities, cash and cash equivalents were \$11,552 with total assets of \$11,552. Total debt for governmental activities principal as of June 30, 2005 was \$24,434,624 with \$827,651 due within one year.

The governmental activities' total net assets increased by \$336,361 from the prior year. This increase is primarily due to an increase in capital expenditures in the Road, Jail, and EMS Funds.

At the close of the current fiscal year, Bullitt County's governmental funds reported total assets of \$8,821,421. Of this amount, \$8,798,755 is available for spending at the government's discretion (unreserved fund balance).

Bullitt County's total indebtedness at the close of fiscal year June 30, 2005 was \$24,434,624, of which \$23,606,973 is long-term debt (due after 1 year) and \$827,651 is short-term debt (to be paid within 1 year). Debt additions were \$0, and debt reductions were \$1,163,925 for a net decrease of \$1,163,925 for the year.

Overview of the Financial Statements:

This management discussion and analysis is intended to serve as an introduction to Bullitt County's basic financial statements. Bullitt County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Government-wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of Bullitt County's finances, in a manner similar to a private-sector business.

Bullitt County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Government-wide Financial Statements: (Continued)

The *Statement of Net Assets* presents information on all of Bullitt County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Bullitt County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund activities.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through uses fees and charges (*business-type activities*). Bullitt County's governmental activities include general government, protection to persons and property, roads, recreation, social services, debt service, capital projects, and administration. Bullitt County has one business type activity – Jail Canteen.

Fund Financial Statements:

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Bullitt County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Bullitt County can be divided into broad categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements. Because focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and

Bullitt County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Governmental Funds: (Continued)

changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Bullitt County maintains ten (10) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road Fund
- Jail Fund
- EMS Fund
- Federal Grants Fund
- Capital Projects Fund

Non-major Funds:

- Local Government Economic Assistance Fund (LGEA)
- 911 Dispatch Fund
- Forest Fire Fund
- Bullitt County Public Properties Corporation

Proprietary Funds:

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Fiduciary Funds:

These funds are used to account for resources held for custodial purposes. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the programs of the County. The accounting used for fiduciary funds is much like that used for proprietary funds. The County's fiduciary fund is the Inmate Account.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Net Assets: As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Bullitt County
Management's Discussion and Analysis
June 30, 2005
(Continued)

TABLE 1
BULLITT COUNTY'S NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>2003-04</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2004-05</u>
Assets					
Current and other assets	\$ 12,674,724	\$ 8,816,993	\$ 7,020	\$ 11,552	\$ 8,828,545
Capital assets	21,754,474	24,755,208	-	-	24,755,208
Total Assets	34,429,198	33,572,201	7,020	11,552	33,583,753
Liabilities					
Current liabilities	976,596	845,889	-	-	845,889
Long-term liabilities	24,669,624	23,606,973	-	-	23,606,973
Total Liabilities	25,646,220	24,452,862	-	-	24,452,862
Net Assets					
Invested in capital assets, net of related debt	2,827,949	1,148,235	-	-	1,148,235
Restricted	491,064	3,911,344	-	-	3,911,344
Unrestricted	5,463,965	4,059,760	7,020	11,552	4,071,312
Total Net Assets	<u>\$ 8,782,978</u>	<u>\$ 9,119,339</u>	<u>\$ 7,020</u>	<u>\$ 11,552</u>	<u>\$ 9,130,891</u>

TABLE 2
BULLITT COUNTY'S STATEMENT OF ACTIVITIES

	<u>Governmental Activities</u>		<u>Percent Change</u>	<u>Business-Type Activities</u>		<u>Percent Change</u>
	<u>2003-2004</u>	<u>2004-2005</u>		<u>2003-04</u>	<u>2004-05</u>	
Revenues:						
General Revenue	\$ 9,085,515	\$ 9,625,640	6%			
Charge For Services	2,447,083	2,185,593	-11%	11,101	16,377	48%
Operating Grants and Contributions	2,942,863	2,180,817	-26%			
Capital Grants and Contributions		971,500	100%			
Total Revenue	<u>14,475,461</u>	<u>14,963,550</u>	<u>3%</u>	<u>11,101</u>	<u>16,377</u>	<u>48%</u>
Expenditures						
General Government	3,814,404	4,821,897	26%			
Protection to Persons and Property	4,794,948	4,935,619	3%			
General Health and Sanitation	324,409	1,335,305	312%			
Social Services	53,797	24,733	-54%			
Recreation and Culture	296,113	386,193	30%			
Roads	1,884,710	2,565,374	36%			
Debt Service	222,486	421,672	90%			
Capital Projects	137,502	136,395	-1%			
Jail Canteen				9,284	11,845	28%
	<u>\$ 11,528,369</u>	<u>\$ 14,627,189</u>	<u>27%</u>	<u>\$ 9,284</u>	<u>\$ 11,845</u>	<u>28%</u>

**Bullitt County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Changes in Net Assets:

Governmental Activities. Bullitt County's net assets increased by \$336,361 in fiscal year 2005. Key elements of this are as follows:

- Current assets and cash decreased \$3,810,060 due to capital expenditures for the construction of the Judicial Center and Courthouse renovations.
- Current and long-term liabilities decreased \$1,145,687 due to aggressively paying off debt.

Business-type Activities. Bullitt County's net assets increased by \$4,532 in fiscal year 2005. Key elements of this are as follows:

- Current assets and cash increased \$4,532.

Financial Analysis of County's Funds:

As noted earlier, Bullitt County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds Overview:

The focus of Bullitt County's governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2005 fiscal year, the combined ending fund balances of the County's governmental funds were \$8,798,755. \$8,798,755 of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The County has six (6) major governmental funds and four (4) non-major governmental funds.

Major Funds:

- General Fund
- Road Fund
- Jail Fund
- EMS Fund
- Federal Grants Fund
- Capital Projects Fund

Non-major Funds:

- Local Government Economic Assistance Fund (LGEA)
- 911 Dispatch Fund
- Forest Fund
- Bullitt County Public Properties Corporation

1. The General Fund is the chief operating fund of Bullitt County. Included in the General Fund are Fiscal Court, Judge/Executive, Treasurer, Planning and Zoning, Code Enforcement, Drug Task Force, Emergency Management, Animal Control, Elections, and Parks and Recreation operations. At the end of June 30, 2005 fiscal year, unreserved fund balance of the General Fund was \$3,901,955. The County received \$7,109,861 in real and personal property, motor vehicle, and other taxes for approximately 75% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 25% of revenues. The General Fund expenditures for fiscal year 2005 were \$6,323,806.

**Bullitt County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Governmental Funds Overview: (Continued)

2. The Road Fund is the fund related to County road construction and maintenance. The Road Fund had a \$(658) fund balance at June 30, 2005. The fiscal year 2005 expenditures for the Road Fund were \$2,510,898.
3. The Jail Fund is used to pay for expenses pertaining to prisoners such as, housing, medical bills, transportation, and various supporting expenses. The Jail Fund received \$754,151 from State allotments, court costs, and DUI fees. The General Fund also contributed \$1,700,580 to the Jail Fund. Expenditures for the fiscal year 2005 were \$2,692,274.
4. The EMS Fund is used for provision of emergency medical services and transport. The EMS Fund had a balance of (\$1,551) of June 30, 2005.
5. The Capital Projects Fund is used to track the construction cost and related capital lease obligations of our County's various construction projects.
6. The Local Government Economic Assistance Fund (LGEA) is money received from mineral severance tax and distributed to the counties by the State Treasury. These funds can only be spent for specific purposes set forth by the state. The Local Government Economic Assistance Fund had a fund balance of \$989,884 as of June 30, 2005.
7. The Federal Grants Fund had a balance of \$0 as of June 30, 2005. These funds were from the Community Development Block Grant, Homeland Security Grant and various other grants applied for in order to improve emergency services and potable water access in our county. These funds are restricted to approved expenditures.
8. The 911 Emergency Fund had a balance of (\$0) as of June 30, 2005. The 911 Dispatch Fund generated \$349,193 in revenues in the 2005 fiscal year. These revenues are used for emergency dispatch and enhanced 911 services in our county.
9. The Forest Fund had a balance of \$0 as of June 30, 2005.
10. The Bullitt County Public Properties Corporation had a balance of \$0 as of June 30, 2005.

Proprietary Funds Overview:

The county's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Bullitt County has one (1) enterprise-type proprietary fund, which is:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

The Jail Canteen Fund's unrestricted net assets as of June 30, 2005 were \$11,552 and total net assets were \$11,552.

**Bullitt County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Fiduciary Funds Overview:

All fiduciary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Inmate Account Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

General Fund Budgetary Highlights:

Bullitt County's General Fund balance decreased during the fiscal year by \$1,260,942. This is due to receiving less excess fees from fee officials during the current year and cuts in federal funding for the Drug Task Force and lower than anticipated homeland security funding. The effect of reduced funding and excess fees was largely offset by increased tax revenues due to continuing rapid growth throughout the county in both residential and business sectors. In addition, increased expenditures continued in numerous areas, including costs associated with the opening of the new county Courthouse, storm water management programs, and employee benefits especially health insurance.

Road Fund Budgetary Highlights:

The Road Fund's 2005 expenditures increased by \$327,089 due primarily to state funds received for road projects. Road Fund money is largely restricted money that can only be used for road construction and maintenance and for the operation of the road department.

Jail Fund Budgetary Highlights:

The Jail Fund expenditures increased in the 2005 fiscal year by \$272,406 due to increases in expenditures for the addition of part-time staff and increases in cost of inmate care.

EMS Fund Budgetary Highlights:

The EMS Fund expenditures increased by \$177,049 for the 2005 fiscal year. This is due to continuing increased demand on EMS services throughout the county as run volumes continue to escalate.

Capital Projects Fund Budgetary Highlights:

The Capital Projects Fund is not required to be budgeted by the State Local Finance Officer. This fund is used to provide payments for bond indentures and these payments are budgeted in the governmental funds.

LGEA Budgetary Highlights:

The LGEA Fund balance increased \$195,373 from the 2004 fiscal year end balance due to increased tax revenues. This increased fund balance will help fund aggressive road improvement initiatives throughout the county.

Federal Grants Fund Budgetary Highlights:

The Federal Grants Fund balance was \$0 at the end of the 2005 fiscal year.

911 Dispatch Fund Budgetary Highlights:

The 911 Dispatch Fund balance decreased by \$52 from the prior fiscal year.

Forest Fund Budgetary Highlights:

The Forest Fire Fund balance ended unchanged from the prior year.

**Bullitt County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Bullitt County Public Properties Corporation Budgetary Highlights:

The Public Properties Corporation is not required to be budgeted by the State Local Finance Officer.

Capital Assets and Outstanding Debt:

Capital Assets:

Bullitt County's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amount to \$1,148,235 (net of related debt). This investment in capital assets includes land, buildings, improvements to land other than buildings, equipment, construction in progress, and vehicles.

Additional information of the County's capital assets can be found in Note 3 of this report.

**TABLE 3
BULLITT COUNTY'S CAPITAL ASSETS,
NET OF ACCUMULATED DEPRECIATION**

	Governmental Activities	Business-Type Activities	Total
Construction in Progress	\$ 10,252,639	\$ 0	\$ 10,252,639
Land and Land Improvements	909,475		909,475
Buildings	11,552,472		11,552,472
Other Equipment	401,290		401,290
Vehicles and Equipment	1,639,332		1,639,332
	<u>\$ 24,755,208</u>	<u>\$ 0</u>	<u>\$ 24,755,208</u>

Outstanding Debt:

At the end of the 2005 fiscal year, Bullitt County had total capital lease obligations outstanding of \$24,434,624 from Courthouse Construction financing obligations and Jail Construction bonds.

Other Matters:

The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2006 fiscal year budget:

- The 2006 fiscal year adopted budget continues most services at current levels.
- Personnel costs are anticipated to increase due to a fifty cent (\$.50) across-the-board raise for all county employees. Health insurance premiums continue to rise and cause concern.
- Bullitt County anticipates the completion of its new Judicial Center. This \$14 million facility will be occupied by the state court system and funded 100% by lease payments from the state AOC.
- Further expenses are expected to continue as a result of the federal unfunded-mandate to implement storm water management practices and programs.
- Bullitt County anticipates receiving approximately \$1.8 million for water and sewer extension and improvement projects for the 2006 fiscal year.

**Bullitt County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Other Matters: (Continued)

- The Road Department will construct a new storage facility for salt and ice-removal chemicals.
- The increase in the Jail Fund is due to continued increases in operations and programs costs.
- The county completed a facility addition and the purchase of new equipment for the 911 Dispatch Center, including the installation of a CAD/GIS Dispatch system.
- New industries continue moving into a number of industrial parks throughout the county. In addition, Bullitt County is experiencing growth in retail and restaurants. This growth demonstrates a strong economy and the presentation of a strong and diverse tax base.

Requests for Information:

This financial report is designed to provide a general overview of Bullitt County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Bullitt County Treasurer, P. O. Box 768, Shepherdsville, KY 40165-0768.

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BULLITT COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

BULLITT COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 8,816,993	\$ 11,552	\$ 8,828,545
Total Current Assets	8,816,993	11,552	8,828,545
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	10,252,639		10,252,639
Land and Land Improvements	909,475		909,475
Buildings	11,552,472		11,552,472
Other Equipment	401,290		401,290
Vehicles and Equipment	1,639,332		1,639,332
Total Noncurrent Assets	24,755,208		24,755,208
Total Assets	33,572,201	11,552	33,583,753
LIABILITIES			
Current Liabilities:			
Financing Obligations	\$ 827,651	\$	\$ 827,651
Payroll Liabilities	18,238		18,238
Total Current Liabilities	845,889		845,889
Noncurrent Liabilities:			
Financing Obligations	23,606,973		23,606,973
Total Noncurrent Liabilities	23,606,973		23,606,973
Total Liabilities	24,452,862		24,452,862
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	1,148,235		1,148,235
Restricted For:			
Capital Projects	3,911,344		3,911,344
Unrestricted	4,059,760	11,552	4,071,312
Total Net Assets	\$ 9,119,339	\$ 11,552	\$ 9,130,891

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005

BULLITT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,097,076	\$ 136,644	\$ 293,429	\$
Protection to Persons and Property	4,935,619	1,917,806	764,840	971,500
General Health and Sanitation	1,335,305			
Social Services	24,733			
Recreation and Culture	386,193	131,143		
Roads	2,565,374		1,122,548	
Debt Service	421,672			
Capital Projects	136,395			
Administration	2,724,821			
Total Governmental Activities	14,627,189	2,185,593	2,180,817	971,500
Business-type Activities:				
Jail Canteen	11,845	16,377		
Total Business-type Activities	11,845	16,377		
Total Primary Government	\$ 14,639,034	\$ 2,201,970	\$ 2,180,817	\$ 971,500

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Insurance Premium Tax

Telephone 911 Tax

Mineral Tax

Other Taxes

Excess Fees

Unrestricted Investment Earnings

State Payments on Judicial Center

Miscellaneous Revenues

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BULLITT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,667,003)	\$	\$ (1,667,003)
(1,281,473)		(1,281,473)
(1,335,305)		(1,335,305)
(24,733)		(24,733)
(255,050)		(255,050)
(1,442,826)		(1,442,826)
(421,672)		(421,672)
(136,395)		(136,395)
(2,724,821)		(2,724,821)
(9,289,279)		(9,289,279)
	4,532	4,532
	4,532	4,532
(9,289,279)	4,532	(9,284,747)
2,731,990		2,731,990
163,342		163,342
618,722		618,722
2,698,592		2,698,592
349,193		349,193
360,835		360,835
832,025		832,025
500,561		500,561
135,255		135,255
489,925		489,925
745,200		745,200
9,625,640		9,625,640
336,361	4,532	340,893
8,782,978	7,020	8,789,998
\$ 9,119,339	\$ 11,552	\$ 9,130,891

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

BULLITT COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

	General Fund	Road Fund	Jail Fund	Federal Grants Fund	EMS Fund
ASSETS					
Cash and Cash Equivalents	\$ 3,920,193	\$	\$	\$	\$
Total Assets	<u>\$ 3,920,193</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Payroll	\$ 18,238	\$	\$	\$	\$
Cash Overdraft		658	2,219		1,551
Total Liabilities	<u>18,238</u>	<u>658</u>	<u>2,219</u>		<u>1,551</u>
FUND BALANCES					
Unreserved:					
General Fund	3,901,955				
Special Revenue Funds		(658)	(2,219)		(1,551)
Capital Projects Fund					
Total Fund Balances	<u>3,901,955</u>	<u>(658)</u>	<u>(2,219)</u>		<u>(1,551)</u>
Total Liabilities and Fund Balances	<u>\$ 3,920,193</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

BULLITT COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2005
(Continued)

Capital Projects Fund	Non- Major Funds	Total Governmental Funds
\$ 3,911,344	\$ 989,884	\$ 8,821,421
\$ 3,911,344	\$ 989,884	\$ 8,821,421
\$	\$	\$ 18,238
		4,428
		22,666
		-
		3,901,955
	989,884	985,456
3,911,344		3,911,344
3,911,344	989,884	8,798,755
\$ 3,911,344	\$ 989,884	\$ 8,821,421

Reconciliation to Statement of Changes In Net Assets:

Total Fund Balances	\$ 8,798,755
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	27,687,573
Accumulated Depreciation	(2,932,365)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(24,434,624)
Net Assets Of Governmental Activities	\$ 9,119,339

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

BULLITT COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	General Fund	Road Fund	Jail Fund	Federal Grants Fund
REVENUES				
Taxes	\$ 7,109,861	\$	\$	\$
Excess Fees	500,562			
Licenses and Permits	726,702			
Intergovernmental	552,641	1,122,400	754,151	
Charges for Services	136,644		153,464	
Miscellaneous	447,049	148	83,487	971,500
Interest	49,494			
Total Revenues	<u>9,522,953</u>	<u>1,122,548</u>	<u>991,102</u>	<u>971,500</u>
EXPENDITURES				
General Government	1,986,076			
Protection to Persons and Property	514,885		2,118,272	
General Health and Sanitation	356,085			971,500
Social Services	24,733			
Recreation and Culture	374,130			
Roads		2,254,616		
Debt Service	1,095,672			
Capital Projects	637,259			
Administration	1,334,966	256,282	574,002	
Total Expenditures	<u>6,323,806</u>	<u>2,510,898</u>	<u>2,692,274</u>	<u>971,500</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>3,199,147</u>	<u>(1,388,350)</u>	<u>(1,701,172)</u>	
Other Financing Sources (Uses)				
Transfers From Other Funds		1,387,692	1,700,580	
Transfers To Other Funds	(4,460,089)			
Total Other Financing Sources (Uses)	<u>(4,460,089)</u>	<u>1,387,692</u>	<u>1,700,580</u>	
Net Change in Fund Balances	(1,260,942)	(658)	(592)	
Fund Balances - Beginning	5,162,897		(1,627)	
Fund Balances - Ending	<u>\$ 3,901,955</u>	<u>\$ (658)</u>	<u>\$ (2,219)</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

BULLITT COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ (3,828,298)
--	----------------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	3,689,303
Depreciation Expense	(688,569)

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources. These transactions, however, have no effect on net assets.

Financing Obligations	783,925
Bond Payments	380,000

Change in Net Assets of Governmental Activities	\$ 336,361
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BULLITT COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

BULLITT COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 11,552
Total Current Assets	11,552
Total Assets	11,552
 Net Assets	
Unrestricted	11,552
Total Net Assets	\$ 11,552

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

BULLITT COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 16,377
Total Operating Revenues	<u>16,377</u>
Operating Expenses	
Cost of Sales	<u>11,845</u>
Total Operating Expenses	<u>11,845</u>
Operating Income (Loss)	<u>4,532</u>
Change In Net Assets	4,532
Total Net Assets - Beginning	<u>7,020</u>
Total Net Assets - Ending	<u><u>\$ 11,552</u></u>

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

BULLITT COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 16,377
Cost of Sales	<u>(11,845)</u>
Net Cash Provided By Operating Activities	<u>4,532</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,532
Cash and Cash Equivalents - July 1, 2004	<u>7,020</u>
Cash and Cash Equivalents - June 30, 2005	<u><u>\$ 11,552</u></u>

**Reconciliation of Operating Income to
Net Cash Provided (Used) by Operating
Activities**

Operating Income (Loss)	<u>\$ 4,532</u>
Net Cash Provided By Operating Activities	<u><u>\$ 4,532</u></u>

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

BULLITT COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	<u>Agency Fund</u> <u>Inmate</u> <u>Account</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 36,509</u>
 Total Assets	 <u>36,509</u>
 Liabilities	
Amounts Held In Custody For Others	
Total Liabilities	<u><u>\$ 36,509</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Bullitt County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Bullitt County Public Properties Corporation

Bullitt County Public Properties Corporation (Corporation) is a legally separate entity established for the purpose of construction of the county's courthouse annex and the related long-term debt service. The Corporation's governing body consists entirely of fiscal court members. Therefore, the fiscal court is financially accountable and legally obligated for the debt of the Bullitt County Public Properties Corporation. Financial information for the Bullitt County Public Properties Corporation is blended within Bullitt County's financial statements.

Bullitt County 911 Emergency Telephone Service

The Bullitt County 911 Emergency Telephone Service (Service) is a legally separate entity established to provide, maintain, and operate 911 emergency services for the citizens of Bullitt County. Fiscal Court has the authority to appoint a voting majority of the Service's board. The Service is fiscally dependent on the Fiscal Court because the Fiscal Court sets and collects the fees for the Service. This fiscal dependency requires the Fiscal Court to include the Service as a component unit. Financial information for the Service is blended within Bullitt County's financial statements.

C. Bullitt County Elected Officials Not Part Of Bullitt County, Kentucky

Kentucky law provides for election of the officials below from the geographic area constituting Bullitt County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Bullitt County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-Wide and Fund Financial Statements (Continued)

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-Wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

EMS Fund - The primary purpose of this fund is to account for the emergency response expenses of the county. The primary sources of revenues are charges for ambulance runs and state grants.

Federal Grants Fund – The primary purpose of this fund is to account for federal monies received including Community Development Block Grant Funds and Homeland Security Funds.

Capital Projects Fund – The primary purpose of this fund is to track the construction cost and related capital lease obligations of our County's various construction projects. The Governor's Office For Local Development does not require the Fiscal Court to report or budget these funds.

The primary government also has the following nonmajor funds: Local Government Economic Assistance Fund, Emergency 911 Fund, and the Forest Fund.

Special Revenue Funds

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Federal Grant Fund, EMS Fund, Emergency 911 Fund, and Forest Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-Wide and Fund Financial Statements (Continued)

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Utility Tax Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Inmate Account Fund - This fund accounts for funds received from the inmates.

Presentation of Component Units

There are no discretely presented component units.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 15,000	10-40
Buildings and Building Improvements	\$ 30,000	10-75
Machinery and Equipment	\$ 4,000	3-25
Vehicles	\$ 4,000	3-12
Infrastructure	\$ 20,000	10-50

G. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 2. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d).. According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of August 31, 2004, the County had \$5,962,028 in deposits, of which \$862,028 was exposed to custodial credit risk as follows:

uninsured and uncollateralized	\$862,028
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BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 909,475	\$	\$	\$ 909,475
Construction In Progress	11,327,976	2,576,715	(3,652,052)	10,252,639
Total Capital Assets Not Being Depreciated	12,237,451	2,576,715	(3,652,052)	11,162,114
Capital Assets, Being Depreciated:				
Buildings	8,101,558	4,407,405		12,508,963
Other Equipment	647,603			647,603
Vehicles and Equipment	3,011,658	357,235		3,368,893
Total Capital Assets Being Depreciated	11,760,819	4,764,640		16,525,459
Less Accumulated Depreciation For:				
Buildings	(674,839)	(281,652)		(956,491)
Other Equipment	(190,705)	(55,608)		(246,313)
Vehicles and Equipment	(1,378,252)	(351,309)		(1,729,561)
Total Accumulated Depreciation	(2,243,796)	(688,569)		(2,932,365)
Total Capital Assets, Being Depreciated, Net	9,517,023	4,076,071		13,593,094
Governmental Activities Capital Assets, Net	<u>\$ 21,754,474</u>	<u>\$ 6,652,786</u>	<u>\$ (3,652,052)</u>	<u>\$ 24,755,208</u>
<u>Governmental Activities:</u>				
General Government			\$ 111,000	
Protection to Persons and Property			414,560	
General Health and Sanitation			7,720	
Recreation and Culture			12,063	
Roads, Including Depreciation of General Infrastructure Assets			143,226	
Total Depreciation Expense - Governmental Activities			<u>\$ 688,569</u>	

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 4. Long-term Debt

A. Detention Center

On May 18, 2000, the county entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust (KACOLT) to borrow \$9,000,000 at various interest rates for the construction of the Bullitt County Detention Center. The county will pay 360 monthly installments of varying amounts in accordance with the contract with an effective annual interest rate of 3.13%. As of June 30, 2005, the outstanding principal balance was \$7,550,613. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2006	\$ 168,000	\$ 234,143
2007	178,000	228,754
2008	188,000	223,053
2009	199,000	217,025
2010	211,000	338,393
2011-2015	1,259,000	920,367
2016-2020	1,676,000	626,021
2021-2025	2,232,000	333,295
2026-2028	1,439,613	112,479
Totals	<u>\$ 7,550,613</u>	<u>\$ 3,233,530</u>

Courthouse

On July 16, 2002, the county entered into a capital lease agreement with the KACOLT to borrow \$4,000,000 for the construction of a new courthouse. The county will pay 20 annual installments of varying amounts in accordance with the contract with an annual interest rate of 4.2%. The principal outstanding as of June 30, 2005, is \$3,610,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest & Fees</u>
2006	\$ 145,000	\$ 178,360
2007	150,000	170,969
2008	155,000	163,327
2009	165,000	155,329
2010	170,000	146,934
2011-2015	990,000	590,618
2016-2020	1,250,000	305,802
2021-2022	585,000	44,873
Totals	<u>\$ 3,610,000</u>	<u>\$ 1,756,212</u>

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 4. Long-term Debt (Continued)

B. Judicial Center

On October 16, 2002, the county entered into a capital lease agreement with KACOLT for the purpose of building a judicial center to house AOC district and circuit court operations and for paying off the property acquisition debt. Proceeds of \$14,000,000 were deposited with a trustee project administrator on October 4, 2002 and the property acquisition debt of \$1,900,000 and accumulated interest was paid off with lease proceeds on October 16, 2002. The term of the lease is twenty years with an effective interest rate of 3.74% and payments due twice a year. The principal outstanding as of June 30, 2005 is \$13,274,011. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest & Fees</u>
2006	\$ 514,651	\$ 594,873
2007	540,625	571,296
2008	567,910	546,529
2009	596,571	520,511
2010	626,680	493,182
2011-2015	3,640,981	2,005,169
2016-2020	4,657,309	1,082,627
2021-2022	2,129,284	119,281
Totals	<u>\$ 13,274,011</u>	<u>\$ 5,933,468</u>

C. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 380,000	\$	\$ 380,000	\$	\$
Financing Obligations	25,218,549		783,925	24,434,624	827,651
Governmental Activities					
Long-term Liabilities	<u>\$ 25,598,549</u>	<u>\$ 0</u>	<u>\$ 1,163,925</u>	<u>\$24,434,624</u>	<u>\$ 827,651</u>

Of the \$1,163,925 of reductions, \$493,074 was paid directly to the Kentucky Association of Counties Leasing Trust by the State for the County's payment on the Judicial Center project lease.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$401,877 in interest on financing obligations and \$18,765 in interest on bonds and notes. \$510,247 of interest on the Judicial Center project was paid directly by the State to the Kentucky Association of Counties Leasing Trust on behalf of the County.

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees' Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

On February 24, 2000, the Bullitt County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 8. Insurance

For the fiscal year ended June 30, 2005, Bullitt County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,937,000	\$ 5,937,000	\$ 7,109,861	\$ 1,172,861
Excess Fees	346,285	346,285	500,562	154,277
Licenses and Permits	702,000	702,000	726,702	24,702
Intergovernmental Revenue	979,250	979,250	552,641	(426,609)
Charges for Services	136,000	136,000	136,644	644
Miscellaneous	94,500	94,500	447,049	352,549
Interest	40,000	40,000	49,494	9,494
Total Revenues	8,235,035	8,235,035	9,522,953	1,287,918
EXPENDITURES				
General Government	2,052,167	2,045,533	1,986,076	59,458
Protection to Persons and Property	824,226	577,595	514,885	62,710
General Health and Sanitation	459,101	356,918	356,085	833
Social Services	25,000	25,000	24,733	267
Recreation and Culture	394,308	374,144	374,130	14
Debt Service	889,454	1,098,514	1,095,672	2,843
Capital Projects	243,400	640,259	637,259	3,000
Administration	3,433,508	2,907,256	1,334,966	1,572,290
Total Expenditures	8,321,164	8,025,219	6,323,806	1,701,413
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(86,129)	209,816	3,199,147	2,989,331
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(4,129,291)	(4,129,291)	(4,460,089)	(330,798)
Total Other Financing Sources (Uses)	(4,129,291)	(4,129,291)	(4,460,089)	(330,798)
Net Changes in Fund Balance	(4,215,420)	(3,919,475)	(1,260,942)	2,658,533
Fund Balance - Beginning	4,000,000	4,000,000	5,162,897	1,162,897
Fund Balance - Ending	\$ (215,420)	\$ 80,525	\$ 3,901,955	\$ 3,821,430

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,209,782	\$ 1,209,782	\$ 1,122,400	\$ (87,382)
Miscellaneous	11,500	11,500	148	(11,352)
Total Revenues	1,221,282	1,221,282	1,122,548	(98,734)
EXPENDITURES				
Roads	2,142,318	2,254,616	2,254,616	
Administration	292,800	256,282	256,282	
Total Expenditures	2,435,118	2,510,898	2,510,898	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,213,836)	(1,289,616)	(1,388,350)	(98,734)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,213,836	1,213,836	1,387,692	173,856
Total Other Financing Sources (Uses)	1,213,836	1,213,836	1,387,692	173,856
Net Changes in Fund Balance		(75,780)	(658)	75,122
Fund Balance - Beginning			0	
Fund Balance - Ending	\$ 0	\$ (75,780)	\$ (658)	\$ 75,122

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 823,000	\$ 823,000	\$ 754,151	\$ (68,849)
Charges for Services	150,000	150,000	153,464	3,464
Miscellaneous	65,000	65,000	83,487	18,487
Total Revenues	1,038,000	1,038,000	991,102	(46,898)
EXPENDITURES				
Protection to Persons and Property	2,095,223	2,118,272	2,118,272	
Administration	521,300	574,002	574,002	
Total Expenditures	2,616,523	2,692,274	2,692,274	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,578,523)	(1,654,274)	(1,701,172)	(46,898)
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	1,578,523	1,578,523	1,700,580	122,057
Total Other Financing Sources (Uses)	1,578,523	1,578,523	1,700,580	122,057
Net Changes in Fund Balance		(75,751)	(592)	75,159
Fund Balance - Beginning			(1,627)	(1,627)
Fund Balance - Ending	\$ 0	\$ (75,751)	\$ (2,219)	\$ 73,532

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

FEDERAL GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 979,000	\$ 979,000	\$ 971,500	\$ (7,500)
Interest				
Total Revenues	<u>979,000</u>	<u>979,000</u>	<u>971,500</u>	<u>(7,500)</u>
EXPENDITURES				
General Health and Sanitation	<u>979,000</u>	<u>979,000</u>	<u>971,500</u>	<u>7,500</u>
Total Expenditures	<u>979,000</u>	<u>979,000</u>	<u>971,500</u>	<u>7,500</u>
Net Changes in Fund Balances				
Fund Balances - Beginning				
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	EMS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 11,000	\$ 11,000	\$ 10,689	\$ (311)
Charges for Services	960,000	960,000	1,037,640	77,640
Miscellaneous	5,500	5,500	20,267	14,767
Total Revenues	976,500	976,500	1,068,596	92,096
EXPENDITURES				
Protection to Persons and Property	1,657,520	1,612,761	1,612,761	
Administration	378,000	454,067	454,067	
Total Expenditures	2,035,520	2,066,828	2,066,828	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,059,020)	(1,090,328)	(998,232)	92,096
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,059,020	1,059,020	998,202	(60,818)
Transfers To Other Funds				
Total Other Financing Sources (Uses)	1,059,020	(1,059,020)	998,202	(60,818)
Net Changes in Fund Balances		(31,308)	(30)	31,278
Fund Balances - Beginning			(1,521)	(1,521)
Fund Balances - Ending	\$ 0	\$ (31,308)	\$ (1,551)	\$ 29,757

BULLITT COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

BULLITT COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2005

BULLITT COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2005

	LGEA Fund	Total Non-Major Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 989,884	\$ 989,884
Total Assets	<u>989,884</u>	<u>989,884</u>
LIABILITIES AND FUND BALANCES		
FUND BALANCES		
Unreserved:		
Special Revenue Funds	<u>\$ 989,884</u>	<u>\$ 989,884</u>
Total Fund Balances	<u>989,884</u>	<u>989,884</u>
Total Liabilities and Fund Balances	<u><u>\$ 989,884</u></u>	<u><u>\$ 989,884</u></u>

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BULLITT COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005

BULLITT COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2005

	Forest Fund	Emergency 911 Fund	LGEA Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$ 1,137	\$ 349,193	\$ 360,835	\$ 711,165
Interest			9,725	9,725
Total Revenues	<u>1,137</u>	<u>349,193</u>	<u>370,560</u>	<u>720,890</u>
EXPENDITURES				
Protection to Persons and Property	1,958	622,763	7,655	632,376
Roads			167,532	167,532
Administration		99,993		99,993
Total Expenditures	<u>1,958</u>	<u>722,756</u>	<u>175,187</u>	<u>899,901</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(821)</u>	<u>(373,563)</u>	<u>195,373</u>	<u>(179,011)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds		373,615		373,615
Total From Other Financing		<u>373,615</u>		<u>373,615</u>
Net Change in Fund Balances	(821)	52	195,373	194,604
Fund Balances - Beginning	821	(52)	794,511	795,280
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 989,884</u>	<u>\$ 989,884</u>

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BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2005

**BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Bullitt County, Kentucky.
2. No reportable conditions relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Bullitt County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Bullitt County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Bullitt County reported in Part C of this schedule.
7. The programs tested as major programs were: Community Development Block Grant Program (CFDA# 14.228).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Bullitt County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

STATE LAWS AND REGULATIONS

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None

D. PRIOR YEAR FINDINGS

The County Should Require Depository Institutions To Pledge Collateral Sufficient To Protect Deposits.

This comment has not been repeated in the current audit report.

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BULLITT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

BULLITT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2005

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of Justice</u>		
Passed-Through Daviess County Fiscal Court:		
Edward Byrne State and Local Law Enforcement		
Assistance Discretionary Grants Program B		
(CFDA #16.580)	N/A	\$ 24,778
Passed-Through State Department of Justice:		
Edward Byrne State and Local Law Enforcement		
Assistance Discretionary Grants Program B		
(CFDA #16.580)	N/A	<u>65,100</u>
Total U.S. Department of Justice		<u>89,878</u>
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State of Kentucky:		
Community Development Block Grant/State's Program (A)		
(CFDA #14.228)	02-007-8026/8027	<u>971,500</u>
Total U.S. Department of Housing and Urban Development		<u>971,500</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 1,061,378</u></u>

BULLITT COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2005

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Bullitt County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



The Honorable Kenneth Rigdon, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bullitt County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 12, 2006. Bullitt County presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bullitt County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Bullitt County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Berger & Company CPA PSC". The script is cursive and somewhat stylized.

Berger & Company, CPA, PSC

Audit fieldwork completed -
January 12, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



The Honorable Kenneth Rigdon, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Bullitt County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Bullitt County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Bullitt County's management. Our responsibility is to express an opinion on Bullitt County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bullitt County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Bullitt County's compliance with those requirements.

In our opinion, Bullitt County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Bullitt County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Bullitt County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

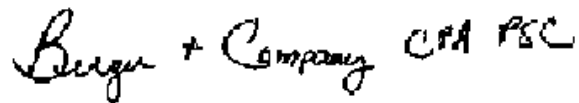
Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Berger & Company CPA PSC". The signature is written in a cursive, flowing style.

Berger & Company, CPA, PSC

Audit fieldwork completed -
January 12, 2006

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

BULLITT COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2005**

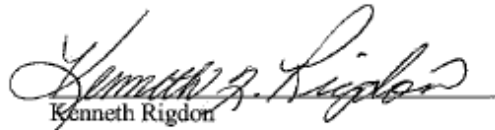
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

BULLITT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2005

The Bullitt County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Kenneth Rigdon
County Judge/Executive


Stephanie Bradley
County Treasurer